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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

MAR 4 1992

FORM 10-Q

(MARK ONE)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended December 31, 1991

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from ..... to .....

Commission File Number 33-13143

MAR 12 1992

OREXANA CORPORATION

(Exact Name of Registrant as Specif

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Florida

(State or Other Jurisdiction of Incorporation or Organization)

59-2682574

(I.R.S. Employer Identification Number)

16402 N.W. 54 Avenue, Hialeah, Florida 33014

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: (305) 624-8882

.....

(Former name, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes X No .....

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date:

8,359,422 shares of Common Stock, $.0005 par value, as of February 15, 1992.



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AVAILABLE

OREXANA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

| | December 31, 1991 | March 31, 1991 |
|---|---|---|
| | (Unaudited) | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents, including interest-bearing accounts of $619,586 at December 31 1991 and $458 at March 31, 1991 | $ 622,368 | $ 28,437 |
| Accounts receivable | - | 78,742 |
| Tax loss carryback | 80,617 | 960,292 |
| Total current assets | 702,985 | 1,067,471 |
| | $ 702,985 | $1,067,471 |

(Continued)

OREXANA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

| | December 31, 1991 | March 31, 1991 |
|---|---|---|
| | (Unaudited) | |
| CURRENT LIABILITIES: | | |
| Accounts payable and other liabilities | $ 136,650 | $ 197,712 |
| Current portion of note payable to Carom Capital Corporation | 15,000 | 15,000 |
| Total current liabilities | 151,650 | 212,712 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY: | | |
| Common stock, $.0005 par value; authorized 15,000,000 shares; issued and outstanding 8,197,222 shares at December 31 1991 and 6,897,222 shares at March 31, 1991 | 4,099 | 3,449 |
| Paid-in capital | 3,514,709 | 3,424,359 |
| Accumulated deficit | (2,967,473) | (2,573,049) |
| Total stockholders' equity | 551,335 | 854,759 |
| | $ 702,985 | $1,067,471 |

See accompanying notes to consolidated financial statements.

OREXANA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS AND NINE MONTHS ENDED DECEMBER 31, 1991 AND 1990

(UNAUDITED)

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| | 1991 | 1990 | 1991 | 1990 |
| Sales of precious metals | $ - | $ 40,514,437 | $ 11,983 | $ 78,928,868 |
| Cost of precious metals sold | - | 39,593,386 | 6,093 | 76,726,702 |
| Gross margin | - | 921,051 | 5,890 | 2,202,166 |
| General and administrative expenses | 126,849 | 346,270 | 398,318 | 1,159,064 |
| Income (loss) from operations | (126,849) | 574,781 | (392,428) | 1,043,102 |
| Other income (expenses): | | | | |
| Interest income | 746 | 33,067 | 2,475 | 108,871 |
| Interest expense | 1,457 | (8,192) | (1,985) | (30,198) |
| Other, net | - | 14,011 | - | 32,011 |
| Income (loss) before income taxes | (124,646) | 613,667 | (391,938) | 1,153,786 |
| Provision for income taxes | 2,058 | 239,011 | 2,486 | 474,011 |
| Net income (loss) | $ (126,704) | $ 374,656 | $ (394,424) | $ 679,775 |
| Net income (loss) per share of common stock | $ (.02) | $ .05 | $ (.05) | $ .10 |
| Weighted average number of shares outstanding | 8,197,222 | 6,895,773 | 7,360,063 | 6,887,865 |

See accompanying notes to consolidated financial statements.

OREXANA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED DECEMBER 31, 1991 AND 1990

(UNAUDITED)

| | 1991 | 1990 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | $ (394,424) | $ 679,775 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | - | 112,491 |
| Changes in assets and liabilities, excluding assets acquired: | | |
| Decrease in accounts receivable | 78,742 | 316,365 |
| Decrease in tax loss carryback | 879,675 | - |
| Decrease in precious metals inventory | - | 29,184 |
| (Increase) in prepaid expenses and other current assets | - | (152,161) |
| Decrease in other assets | - | 12,905 |
| Increase (decrease) in accounts payable and other liabilities | (61,062) | 1,090,551 |
| Increase in accrued income taxes | - | 92,378 |
| Total adjustments | 897,355 | 1,501,713 |
| Net cash provided by (used in) operating activities | 502,931 | 2,181,488 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | - | (65,227) |
| Purchase of assets from Metal Assayers, Inc. | - | 754 |
| Net cash used in investing activities | - | (64,473) |

(Continued)

OREXANA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED DECEMBER 31, 1991 AND 1990

(UNAUDITED)

(Continued)

| | 1991 | 1990 |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Borrowings from bank | - | 125,000 |
| Repayments of notes payable | - | (100,535) |
| Repayments to related party | - | (200,000) |
| Proceeds from stock issuance | 91,000 | - |
| Net cash provided by (used in) financing activities | 91,000 | (175,535) |
| Net increase in cash | 593,931 | 1,941,480 |
| CASH AND CASH EQUIVALENTS, beginning of period | 28,437 | 2,316,841 |
| CASH AND CASH EQUIVALENTS, end of period | $ 622,368 | $4,258,321 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash paid (received) during the period for: | | |
| Interest expense | $ 1,457 | $ 28,916 |
| Income taxes | $ (879,675) | $ 480,255 |

See accompanying notes to consolidated financial statements.

OREXANA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1991

(UNAUDITED)

(1) DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:

The consolidated balance sheet as of March 31, 1991, which has been derived from audited statements, and the unaudited interim consolidated financial statements included herein, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. It is suggested that these financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's annual report filed on Form 10-K for the fiscal year ended March 31, 1991.

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of December 31 and March 31, 1991, the results of operations for the three-month and nine-month periods ended December 31, 1991 and 1990, and cash flows for the nine-month periods ended December 31, 1991 and 1990.

The accounting policies followed for quarterly financial reporting purposes are the same as those disclosed in the Company's audited financial statements for the year ended March 31, 1991 included in the Form 10-K.

(2) LEGAL PROCEEDINGS:

In November 1991, the Registrant, its former parent and two of its former executive officers and directors and others were indicted in an action brought by the United States in the United States District Court for the Northern District of Georgia. As to the Registrant, the Indictment alleged that the Registrant conspired to launder the proceeds from the sale of drugs.

Concurrently with the service of the Indictment on the Registrant, the Registrant was also served with a Restraining Order dated November 22, 1991 which enjoined the Registrant from disposing of any of its assets for any reason whatsoever. On November 27, 1991, the Restraining Order was modified by the Court to permit the Registrant to dispose of its assets (a) in connection with transactions in the ordinary course of business; (b) in

connection with the acquisition of one or more businesses; and (c) in connection with expenditures made with respect to the defense of the action.

The Registrant and the United States have agreed in principle to settle the action.

(3) OTHER INFORMATION:

The Registrant and certain representatives of the United States have agreed in principle to settle the action described in Note 2 hereof. Pursuant to the Settlement (a) the Registrant will plead guilty to a three count information to be filed in the United States District Court for the Southern District of Florida charging it with violations of laws relating to money laundering and fraud; (b) the Indictment will be dismissed; (c) the Registrant will pay $700,000 to the United States with interest over a ten year period in annual amounts representing 5% of the Registrant's annual gross profits: and (d) the Registrant will assign to the United States its rights under a Settlement Stipulation with Sharps Pixley Incorporated. The Settlement is subject to final approval of the United States Attorney's Office and the Court.

The legal action brought against the Registrant by Sharps Pixley Incorporated has been dismissed with prejudice.

The Registrant has been advised by NASDAQ that due to higher maintenance standards for companies seeking to maintain their listing thereon which became effective on March 2, 1992, the Registrant does not presently meet all such standards. Such standards would require the Registrant to have total assets of not less than $2,000,000; capital and surplus of not less than $1,000,000; market value of public float of not less than $200,000; minimum bid price of $1.00 and two market makers. The Registrant has been further advised by NASDAQ that certain exceptions to the foregoing standards may be made by NASDAQ. The Registrant has requested a hearing be held before NASDAQ to determine if the Registrant is eligible for such exceptions. In a letter to the Registrant from NASDAQ, NASDAQ stated that the Registrant's common stock can be listed on the "OTC-Bulletin Board" of the National Association of Securities Dealers, Inc. NASDAQ further stated that quotation information on the OTC-Bulletin Board is available on stockbrokers' desktop terminals and thus the Registrant "can continue to enjoy significant visibility among securities professionals and investors."

The Registrant has also been advised by NASDAQ that as of September 30, 1991 the Registrant did not meet either the total asset or capital and surplus requirement because the Registrant's assets as of such date "were primarily comprised of a tax loss carryback, an asset determined by the staff to be restricted in its use due to its non-operational nature." Subsequent thereto the Registrant has received cash payments in substantially the amounts of its recorded tax loss carrybacks. NASDAQ also has advised the Registrant that as a result of the Indictment, more stringent criteria for the inclusion of the Registrant's common stock on NASDAQ may be warranted. The Registrant has requested a hearing be held before NASDAQ with respect to the foregoing matters.

## OREXANA CORPORATION AND SUBSIDIARIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

## CONDITION AND RESULTS OF OPERATIONS

On March 15, 1991 the Registrant suspended operations as a result of material difficulties in its dealings with a supplier of silver and a supplier of gold which is described in the notes to the Registrant's audited financial statements for the year ended March 31, 1991 included in the Form 10-K and in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations of the Form 10-K.

On November 13, 1991 the Registrant was indicted along with it's former chairman and president by the United States District Court for the Northern District of Georgia. The indictment alleges that the former chairman of the registrant, Duvan Arboleda, supervised and directed the laundering of money from the sale of drugs through this and other corporations and that he was aided and abetted by the former president of the registrant, Harry A. Falk, in the laundering of drug proceeds. The current officers and directors of the registrant have no knowledge of the accuracy of these charges which may or may not have resulted from actions of the former officers. The registrant has cooperated fully with the government and is in the process of negotiating a settlement agreement with the government. The effect of these negotiations may have an impact which cannot be determined at this time on the financial statements of the registrant.

On February 4, 1992 the Registrant completed the acquisition of 100% of the stock of Diagnostic Ultrasound, Inc. in exchange for 162,200 shares of Orexana stock and an agreement to invest up to $330,000 in the company for working capital and equipment acquisitions. Diagnostic Ultrasound, Inc. has been in the mobile medical imaging field for 6 years. With this acquisition Orexana has resumed revenue producing business operations.

General and administrative expenses for the three months ended December 31, 1991 totaled $126,849 which consisted primarily of professional fees and administrative costs related to the collection of receivables and the settlement of claims.

The net loss for the nine months ended December 31, 1991 was $394,424 resulting primarily from the administrative and professional fees incurred during the period.

As of December 31, 1991 the Registrant had working capital of $541,335, a decrease of $313,424 over working capital at March 31, 1991. Cash and cash equivalents were $622,368, an increase of $593,931 over cash and cash equivalents at March 31, 1991.

On July 30, 1991 the Registrant entered into a Settlement Stipulation with Sharps Pixley Incorporated ("Sharps") wherein the Registrant assigned to Sharps all claims of any nature it may then have had against any suppliers, persons or other entities and has assigned or will assign, as requested, all of its interest in real property, mining interest, refinery equipment and all other equipment owned as of such date. Pursuant to the Settlement Stipulation the Registrant retained (a) its corporate name, shell, legal existence and structure, (b) any federal, state, or local tax loss carry forwards, carry backs or other tax benefits to which the Registrant may be entitled, and (c) approximately $45,000 in cash. Any recovery and realizations from the assets and claims assigned to Sharps will be allocated with the first $1,500,000 being retained by Sharps and the remaining recovery being divided equally between Sharps and the Registrant.

The Registrant has begun preliminary negotiations with additional companies in the medical technology and medical imaging fields in connection with the possible acquisition of a controlling interest therein. The consummation of any such acquisition is expected to be contingent on, among other things, the Registrant's ability to secure equity capital. There can be no assurance that any acquisition or similar transaction will be consummated by the Registrant.

## PART II

## OTHER INFORMATION

### Item 1. Legal Proceedings

In November 1991, the Registrant, its former parent and two of its former executive officers and directors and others were indicted in an action brought by the United States in the United States District Court for the Northern District of Georgia (the "Indictment"). As to the Registrant, the Indictment alleged that the Registrant conspired to launder the proceeds from the sale of drugs.

Concurrently with the service of the Indictment on the Registrant, the Registrant was also served with a Restraining Order dated November 22, 1991 which enjoined the Registrant from disposing of any of its assets for any reason whatsoever. On November 27, 1991, the Restraining Order was modified by the Court to permit the Registrant to dispose of its assets (a) in connection with transactions in the ordinary course of business; (b) in connection with the acquisition of one or more businesses; and (c) in connection with expenditures made with respect to the defense of the action.

The Registrant and the United States have agreed in principle to settle the action. Reference is made to the response to Item 5 hereof.

### Item 5. Other Information

The Registrant and certain representatives of the United States have agreed in principle to settle the action described in Item 1 hereof (the "Settlement"). Pursuant to the Settlement (a) the Registrant will plead guilty to a three count information to be filed in the United States District Court for the Southern District of Florida charging it with violations of laws relating to money laundering and fraud; (b) the Indictment will be dismissed; (c) the Registrant will pay $700,000 to the United States with interest over a ten year period in annual amounts representing 5% of the Registrant's annual gross profits; and (d) the Registrant will assign to the United States its rights under a Settlement Stipulation with Sharps Pixley Incorporated. The Settlement is subject to final approval of the United States Attorney's Office and the Court.

The legal action brought against the Registrant by Sharps Pixley Incorporated has been dismissed with prejudice.

The Registrant has been advised by NASDAQ that due to higher maintenance standards for companies seeking to maintain their listing thereon which became effective on March 2, 1992, the Registrant presently does not meet such standards. Such standards would require the Registrant to have total assets of not less than $2,000,000; capital and surplus of not less than $1,000,000; market value of public float of not less than $200,000; minimum bid price of

$1.00 and two market makers. The Registrant has been further advised by NASDAQ that certain exceptions to the foregoing standards may be made by NASDAQ. The Registrant has requested a hearing be held before NASDAQ to determine if the Registrant is eligible for such exceptions. In a letter to the Registrant from NASDAQ, NASDAQ stated that the Registrant's common stock can be listed on the "OTC-Bulletin Board" of the National Association of Securities Dealers, Inc. NASDAQ further stated that quotation information on the OTC-Bulletin Board is available on stockbrokers' desktop terminals and thus the Registrant "can continue to enjoy significant visibility among securities professionals and investors."

The Registrant has also been advised by NASDAQ that as of September 30, 1991 the Registrant did not meet either the total asset or capital and surplus requirement because the Registrant's assets as of such date "were primarily comprised of a tax loss carryback, an asset determined by the staff to be restricted in its use due to its non-operational nature." Subsequent thereto the Registrant has received cash payments in substantially the amounts of its recorded tax loss carrybacks. NASDAQ also has advised the Registrant that as a result of the Indictment, more stringent criteria for the inclusion of the Registrant's common stock on NASDAQ may be warranted. The Registrant has requested a hearing be held before NASDAQ with respect to the foregoing matters.

Duvan Arboleda, Harry A. Falk and Mark L. Stefan have resigned from the Registrant's Board of Directors.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OREXANA CORPORATION
(REGISTRANT)

By:
Martin Swarzman, Principal Executive, Financial and Accounting Officer and Director
Date: March 3, 1992